AN INVESTIGATION OF REPORTING POWER IN BUSHEHR PROVINCE MUNICIPAL ACCOUNTING SYSTEM

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ABSTRACT
The present study aimed at investigating Bushehr province municipal accounting system from desirable reporting power perspective. The research method was survey and field study. The research population consisted of all staffs of accounting system in Bushehr province municipal. 100 subjects were selected using simple random sampling according to Cochran's formula from 30 municipal areas out of 271 staffs working in financial municipal system. In this study, the researcher developed a questionnaire to evaluate variables and the reliability coefficient of the questionnaire was 0.95 based on Cronbach Alpha. The independent one-sample t-test was used to analyze the data. Results showed that accounting system of Bushehr province municipal failed to provide appropriate reporting to control planning, designing and annually approved projects costs.

Keywords: Accounting system, Municipal, Desirable reporting, Bushehr province

INTRODUCTION
Increasing growth of economic activity in today's world especially for the organizations that are active in the accelerating world of competition has caused complex financial issues. The necessity of presenting timely and comprehensive financial reporting in order to solve this problem and provide solutions and decisions is one of concerns of the executive managers in economic enterprises. Nowadays, information systems have contributed to pave the way for communication and economic and management analytical analysis for the companies globally. Thus, providing accurate information for all levels of organization is the most important concerns of managing organizations today and tomorrow. Now, customers can easily be informed of this price and quality of products in the market. This issue has made the competitions more challenging and has forced the organizations to focus their attention to information system and financial reporting. Information technology has formed organization into a network of teams that join each other to perform specific tasks face to face or electronically to achieve common goals of the organization. Meantime, economic indices enjoy a special status and as economy managers and policy makers evaluate the process of macro variables of development and the decisions which are made at a national level, leaders should also assess the process of change in these variables and the effects of major policies on society at a local level. Thus, a careful examination of the effect of national and local policies outcomes on the city and economy of the city is required (national municipal organization, 2004). Accounting is a service activity because it serves stakeholders and interested parties to create, develop and utilize economic units through providing financial information for decision-making and judgment (Alivar, 2003). Accounting is the art of interpretation, measurement and transferring the results of other activities, operations and other economic events (Nabavi, 1983). In addition, accounting is the language of business. Terms such as assets, liabilities, net profit and cash flow per share are examples of technical accounting terminology that are vastly used in the business world, nowadays. Overall, accounting can be called to an information system that accepts and processes economic units or inputs as financial event and present them in the form of various reports which are considered as output (Alivar, 2003). Governmental accounting is a system that collects and reports financial information relating to the activities of the ministries and governmental institutes to control and manage national decisions and...
approved annual plans and financial resources used by the government accurately (Bayat, 2003). Moreover, governmental accounting can be considered as an information system. This information system is a collection of methods and principles through which financial information pertaining to an institute either governmental or commercial are collected, categorized and summarized in the form of financial reports to be understood easily. The summarized financial information is presented to the directors of the institutes and is utilized to assist them in fulfilling their responsibilities (Babajani, 2003). Various persons and entities with diverse rights, interests and benefits and often conflicting interests need financial reforms to judge and decide about profitable units’ status. Profitable entities prepare and submit various financial reports that are essentially used for the external applications of organization (Alivarp, 1998). Governmental accounting standard board believed that mid-periodic payment is one of the important components of responsiveness and is essential for the public centre management. Therefore, it is crucial to evaluate the design of the objectives of financial reporting and periodic payment need to be considered as well. In summary, financial reporting assists the users’ evaluation of the adequacy of the current incomes and weather future taxpayers will have to bear the burden of the responsibility of the services provided in the past (Mahdavi, 2005). In Iran, financial reporting can be evaluated from two perspectives: 1) economic environmental perspectives and reporting compatibility with Iran economic complexities; 2) the regulations governing the reporting perspective. First, we can ask that weather the third wave has change Iran’s economic? Weather the term of modern economic can be applied to the economy of Iran? According to the author’s opinion, the answers are almost negative because the process of transformation in most developing countries is long. Thus, it can be concluded that financial reporting and accounting in Iran are ahead of its economical status. But, certainly Iran’s economy will be soon broken with a wave of data and then accounting and reporting in Iran will change (Masui Bashiri, 1999). Corporates’ unwillingness to financial report, lack of adequate training in the fields of real economic competition stability of stock exchange market for many years, the presence of traditional culture of secrecy, lack of legal requirements for reporting to the community and other influencing issues has caused the corporates to be less motivated to provide financial reporting and less significance has been devoted to one of the security levers of guaranteeing the rights of the stakeholders and particularly investors and creditors. This can be an obstacle to seek for remedial methods of financial reporting or welcoming any innovation in this field. For lack of adequate trust due to financial reports and various reasons including those about the reluctance of companies to disclose financial information in Iran, there is no confidence regarding accuracy and sufficiency of information disclosure of financial reports among the recipients of the information. Moreover, special conditions of Iran investment market in addition to its inefficiency lead the majority of the financial information users toward informal sources of financial resources (Arab MaziyarYaazdi, 2001). Theoretical framework for public sector accounting in the last two decades is designed based on response responsibility and the aims of financial reporting have been influenced by this concept. The concept of response responsibility is rooted in political philosophy and its modern sense is based on principals such as acceptance of "right to know the fact" and "right to ask for response " for the citizens and the obligation and duty to response to the elected official. In communities where their governments have claimed for the establishment of a democratic political system, people delegate their legal power through elections for a certain period to their representatives as a trustee, however, they consider the right to know the facts and monitor or ask for response as their own. In such communities, the elected authorities are responsive to the citizens for what they perform and the decision that are made and the residents as the owners of rights follow and claim their rights regarding the authorities performance openly, directly or indirectly from their legal representatives. In response process that is based on the acceptance of natural rights of knowing and asking for response for the citizen and the obligation to answer for the elected officials will be realized. Both parties of responsive and response seeker attempt to participate in the assessment and response responsibility by means of appropriate tools (Babajani, 2002). Since financial reporting is known as one of the important tools of realizing and evaluating response responsibility and the majority of the democratic political regimes are struggling to
strengthen their accounting system and financial reporting based on response responsibility. The objectives of financial reporting are under the influence of structural and environmental services features and are built upon the concept of response responsibility and are reflected in the theoretical framework of accounting in the public sector. Response responsibility is a task in which the individuals provide satisfactory reasons and compelling explanations to fulfill the responsibilities they had and the necessary reports are presented. Response responsibility included two functions: one is to perform a specific action and the other is responding and providing reasonable grounds for the action that is performed. Binding to specific responsibilities is 1 and the obligation to report the response is 2. For instance, the board of a company has a direct responsibility for the proper use of resources that are available to them by stakeholders. On the other hand, they have a duty to make reports on how the management of these resources is conducted. Vital elements of this process derived from a relationship that is between the managers and the stakeholders. A relationship whereby the right to know and access to information is granted (Babajani, 1999).

Nowadays, information is considered as a crucial factor to gain strength and represent an organization successful in economic areas so that it can demonstrate a real domination over the information. So they can be used as a practical strategy for making proper decisions. This trend that has initiated from 1950s has now accelerated and appeared in a new way so that all aspects of the organization is regarded significantly valuable in the content of applying information system and reporting (Kazazi, 2002). Governmental accounting facilities the effective presentation for full disclosure of financial status, the results of financial independent accounts operations, the group of the governmental accounts based on the allowed principles of accounting and determining and illustrating the observance of legal anticipations and the financial contracts (Aghvami, D; Babajani, J., 2001). Independent account as an accounting and official unit included a set of accounts for recording cashes and other financial resources accompanied by all related liabilities and the remaining payment in addition to the detail of variations to perform certain activities or achieving determined objectives based on the proposed regulations and special constraints (Mahdavi and Gholamhossein, 2005).

Governmental accounting systems should be organized based on independent accounts. Independent account is defined as a unit of accounting and finance that consisted of self-balancing accounts to record cashes and other financial resources with all related liabilities and the remaining to perform certain activities or achieve definite goals based on the propose regulations and specific limitations (Mahdavi, 2001).

From 11th to 14th century, European cities gradually separated from the states and associations were formed to control the cities. Hence, the control of cities was formed based on deconcentration; moreover, in most European countries the activities of churches and organizations that were responsible for the public welfare decreased. Consequently, the rules were abandoned from the monopoly of the rules and the public interference in the affairs of cities increased. Finally, "municipality" was created with its modern concept. On the other hand, a majority of concentrated governmental systems had to assign some of their powers to the municipalities since the central government failed to manage all the affairs of the country. Meanwhile, local organizations were also used as a tool to achieve some of the objectives. Thus, on the one hand, municipalities were formed and public collaboration in public services and affairs was intensified. Thus, much of local tasks were assigned to people in certain areas so that by each other's collaboration and corporation the tasks are done (Ghahari, 1985). The history of municipality is related to "Constitutional Revolution" in Iran. The Iranian Constitutional Revolution is an emergence of people demands and votes to participate in determining their own destiny as it showed an outstanding effect in all aspects of the country including the management of the cities. However, modern municipality activities should relate to the period after the constitutional because in a constitution state, the National Assembly and the government are responsible to implement the demands of the people. Therefore, the formation of municipal organization as an organization that controlled the citizen’s affairs by themselves and responded to a part of their needs was regarded as improvement on the path of meeting their needs. Thus,
in the first National Assembly in 1907, "Baladieh Act" was approved by the Assembly. Baladieh Act was
designed using the laws of municipalities in Belgium and France. However, the implementation of this act
was communicated two years after the approval of the municipalities. The act was implemented in some
city, town or province centers to some extent. Baladieh was formed in cities from 1907-1921 including
Kerman, Tabriz, Shiraz, Dezful, Mashhad, Maraghe, Maku and Astara. Then it was formed in six other
cities up to 1925 including the cities of Anazali, Ahar, Zanjan, Khoy, Bushehr and Abadan (Shakiba,
2005).

Governmental Accounting for the maintenance of municipality accounts is recommended as the
following.

1. All accounting operations should be concentrated under control of a chief person and he is
responsible for the maintenance of all accounts and setting any financial report.

2. The maintenance of accounts must be done in a double way and all financial operations are
summarized and concentrated in an office. And, a sub-office for necessary times should be
considered.

3. Financial and accounting terminologies should be used constantly and in all documents and
financial operations including budgeting, accounting and financial reporting and they are applied
with a united concept.

4. Municipality accounting must be classified and formulated in terms of different aspects. In
regulating all bills pertaining to each class or kind of funds same procedure can be followed.

5. Funds classification is recommended.

6. Public accounting system should include monitoring income and expenditure through funds
accounts.

7. Using accrual accounting system regarding income and expenses must be normal as much as
possible. Any obligation as the cost should be recorded in the office and any income even not in
cash should be regarded.

15. It is better that all municipalities that are similar in terms of income size and population apply a united
system in managing the financial affair and maintaining their accounts (Bahrami, 1997).

Babajani (1999) assessed the amount of financial system responding of Islamic Republic of Iran. In
societies where the governments are elected through public votes, the elected governments are responsible
to respond to their citizen for the actions they perform. Response responsibility requires the governments
to provide rational reasons for such items as increasing financial resources and the objective for which
they are utilized in addition to using financial resources. It is noteworthy that fulfilling response
responsibility are in the form of public statements in such communities. Therefore, governmental
financial reporting and accounting system is one of the major means of transmission of financial
information and assist the government to respond accurately and correctly. The presence of various
obstacles in the structural, legal, political, social, cultural, and educational aspects lead to a failure in
progress in the accounting system and governmental financial reporting in Iran and the objectives of
governmental financial reporting could not fulfill the government response responsibility. The researcher
concluded that accounting system and Islamic Republic of Iran (IRI) government financial reporting lacks
the power to fulfill the responsibilities in the context of budget control act, identifying and reflecting the
actual annual income and expenditure, reflecting fixed assets and the public residual liabilities and
reflecting the status and results of the financial operations in comprehensive annual financial reports.

Bojnordi (2000) in assessing the obstacles and its impacts on governmental financial reporting stated that
the government and authorities required the establishment and maintenance of an appropriate accounting
system and financial reporting towards achieving its aims and objectives and also responding the people.
In fact, this is an integral part of the centre of the government response and the people and their
representatives response-seeking. Transparent financial reporting enables the people to be aware of how
to provide community services and resources conception. Since this study is a step in the field of research
in Iran and given the fact that according to available evidence, there are various reasons and obstacles
influencing the lack of progress in governmental accounting in Iran; hence, this issue is suggested as a main hypothesis and considering the principles and objectives of governmental accounting and reporting as well as specific experiences of the researcher and the issues which clearly influenced the development of accounting in a negative way, the following hypotheses are proposed: 1- structural obstacles in government accounting lead to lack of development in governmental accounting system and non-achievement of reporting objectives; 2- legal obstacles have been found in governmental accounting which lead to lack of progress in governmental accounting system and the fulfillment of the objectives of governmental financial reporting; 3- social and political barriers in governmental accounting contributed to lack of progress in governmental accounting system and unrealization of governmental financial reporting; 4- Cultural and educational obstacles contributed to lack of progress of governmental accounting system and unrealization of governmental financial reporting. The findings of current study suggested that some obstacles in the content of governmental accounting affected on the progress of governmental accounting negatively and present accounting system and governmental financial reporting does not possess an ideal and efficient system to achieve the goals of governmental accounting and reporting (especially, the research of the state responsiveness to government and assessing this responsibility by the people and their representatives. Mardani (2002) investigated about the problems of implementing the audited financial statements of non-profit organization (municipalities in the province of Kurdistan and West Azerbaijan) from the auditor’s point of view as a citizen of the society and one of the official accountants and other community members. The study was initiated with a question (despite providing the conditions and the existing agreements between official auditors and Ministry of Civil affair, what obstacles have the independent auditors that have issued reports on the performance and implementation of the audited financial statement encountered?).

In this study, researcher used a questionnaire to collect information from the study population and then using statistical methods accepted or rejected the hypotheses. And finally, it was concluded that the proposed hypotheses were rejected by the statistical test.

Ghorbani (2003) conducted a study aimed at evaluating the usefulness of the preparation and delivery of reports regarding management assessment of internal controls governing financial reporting (internal control reporting) and its external publication public corporations in Iran. In this regard, the comments of two main groups of users of the report including investors and auditors were evaluated and tested. Considering the fact that historical financial reporting model that in the current situation in our country is limited to periodic and annual financial reports including financial statements and the auditor’s reports. Following the crises in recent years in certain markets of some of the developed countries, modern suggested reporting and corporates audits are required to comment on it. The current study proposed two hypotheses, the first investigated the management assessment of the controlling from the useful investors perspective and the second from the useful auditor’s point of view. In this research, the data were collected using questionnaire method and using a five-point likert-type scale the data were transformed into quantitative data and considering the method of questionnaire presentation, the evaluations and measurements were conducted. Ultimately, statistical analysis of the results showed that external evaluation reports of management assessment from internal controlling over financial reporting in Iran was diagnosed from useful investors and auditor’s point of view.

According to the above-mentioned issues, there is a question that weather the municipal accounting system of Bushehr province owns desirable potentialities to control costs, programs, plans and projects annually approved?

RESEARCH METHOD
The research method was survey and field study. The research population consisted of all accounting system staffs in Bushehr province municipality. 100 subjects out of 271 staffs of financial system in 30 municipalities were selected by simple random sampling using Cochran formula.
MEASUREMENT INSTRUMENTS

Data measurement instruments are methods that enable the researcher to collect the required research data and record them in addition to converting them into quantitative data. In case of correct selection of measurement instruments, the researcher will be able first to collect the data associated with the study and second to classify and extract the data appropriately. Third, detailed analytical analysis performance is possible.

Attitudes and views measurement are qualitative data that demand particular instruments to be measured. Social Scientist have tried to develop instruments to measure the attitudes, desires, inclinations and tendencies which are known as scales and Bogardus, likert and Guttman are the most important scales (Khaki, 2007).

In this study, a questionnaire and a five-point likert-type scale were used. This scale consisted of five options and the investigator provided the respondents with a number of options according to the subject research to specify its orientation. The scale options began from high tendency towards low tendency. The scale reliability was more than 90% that is quite satisfactory. The qualitative data of the questionnaire were converted to quantitative data to test research hypotheses. Research instruments reliability considered as the reliability and validity of research implies that if a measuring device built to measure industrial and variable is used in similar conditions or other places, similar results would be obtained. In other words, reliable instruments are repeatable and have the property of similar results measurements (Anjomani, 2010).

The closer is Alpha value to 100, the more is the validity, and small values of alpha also indicated the lower validity of the questionnaire. The results of the questionnaire analysis indicate that alpha value was obtained as 0.95. As the results indicated the questionnaire instruments revealed an effective internal consistency. Therefore, research instruments are highly reliable and have the ability to measure the variables.

RESULT

In the present study the data were analyzed using inferential statistics (independent one-sample t-test) in order to investigate the potentiality of desirable reporting system of municipalities accounting of Bushehr province.

Table 1: Score evaluation of the potentiality of desirable reporting system of municipalities’ accounting in Bushehr province

<table>
<thead>
<tr>
<th>variables</th>
<th>Test Value</th>
<th>t</th>
<th>Degree of freedom</th>
<th>Sig.</th>
<th>Mean</th>
<th>95% confidence level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power of reporting financial statements</td>
<td>12.36</td>
<td>99</td>
<td>0.0001</td>
<td>0.03</td>
<td>2.53</td>
<td>2.5</td>
</tr>
</tbody>
</table>

As the findings of the test suggested, the significant level equaled to 0.0001 (sig≤0.05). moreover, since both lower and higher limits of confidence internal were positive, therefore, it can be argued that with 95% confidence level, accounting system of municipalities of Bushehr province lack the required power to control the costs of plans, projects annually approved and programs.

DISCUSSIONS AND CONCLUSION

The test results indicated that governmental accounting system applied in financial reporting of municipalities of Bushehr province are not effective for financial reporting. Specifically, with regard to the questions posed to test the above hypothesis, it can be asserted that the applied governmental accounting system in reporting of Bushehr province showed meaningfully significant difference with a
Research Article

desirable governmental accounting system in financial reporting due to the following reasons: recognition and record of incomes and expenditures based on cashes to provide the data associated with incomes in addition to the above-mentioned system failure in reflection of the data regarding fixed assets methods and regulations of depreciation calculation lack of continued training during staff services and lack of an integrated software system. In conclusion, the governmental accounting system used in financial reporting of municipalities in Bushehr province lack the power to present financial reporting desirably.

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